PAGE 01 DUBLIN 03653 081124Z 5956 DUBLIN 03653 081124Z
ACTION EUR-12

INFO OCT-01 ADS-00 AID-07 INR-10 CIAE-00 EB-08 EA-12
ICA-15 DODE-00 NSAE-00 COME-00 LAB-04 TRSE-00 PA-02
CEA-01 OMB-01 STR-11 SIL-01 FRB-01 SP-02 SPRS-02
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FM AMEMBASSY DUBLIN
TO SECSTATE WASHDC 7343
INFO USDA/FAS WASHDC
AMEMBASSY BRUSSELS
AMEMBASSY WELLINGTON

UNCLAS DUBLIN 03653

FAS FOR WADSWORTH/D.L.& P. DIV.
BRUSSELS FOR USEEC

E.O. 12065: N/A
TAGS: EAGR, ETRD, EEC, EI, US, NZ, UK
SUBJECT: US/NZ BUTTER SALE

1. SUMMARY. AN ARTICLE, "NZ BUTTER DEAL CREATES SERIOUS PROBLEMS," WHICH APPEARED IN THE AUGUST 27 "CORK EXAMINER" TRIED TO MAKE THE CASE THAT THE US-NZ BUTTER DEAL WILL WEAKEN BUTTER PRICES FOR IRISH EXPORTERS AND JEOPARDIZE IRISH BUTTEROIL EXPORTS. THE ARTICLE, "BY A SPECIAL CORRESPONDENT," ASSERTED THAT THE DEAL PROBABLY HAS DISRUPTED "THE ROUTINE PATTERN OF THE BUTTER TRADE - EVEN WITHIN THE EEC..." AND THAT THE WAY NZ SALES ARE CONDUCTED IN EUROPE WILL EXACERBATE THE SERIOUSNESS OF THE SALE'S ADVERSE IMPACT ON IRISH EXPORTERS. END SUMMARY.

2. WEAKEN EXPORT PRICES. ACCORDING TO THE ARTICLE, THE UK. IS CURRENTLY EXPORTING 50 PERCENT OF ITS OUTPUT (1980 OUTPUT: 160,000 TONS) TO TAKE ADVANTAGE OF ATTRACTIVE MCA SUBSIDIES. THE WEAKER PRICE ON THE U.K. DOMESTIC MARKET IS LEFT TO WHOEVER IS PREPARED TO ACCEPT THE PRICE, I.E. BORD BAINNE (IRISH DAIRY BOARD) AND NEW ZEALAND. ON THE CONTINENT, U.K. BUTTER IS EITHER PUT INTO INTERVENTION WITH EEC AID OR MADE INTO BUTTEROIL. SOME IRISH BUTTER IS CLAIMED TO BE SHIPPED WITH THE BRITISH EXPORTS.

3. AS THE PRESENT QUANTITY OF BUTTEROIL IS SUFFICIENT, THE SHIPMENT OF NZ BUTTER TO EUROPE FOR PROCESSING INTO BUTTEROIL WILL DESTROY THE CONTINENT'S MARKET FOR U.K. BUTTER. THIS BUTTER WILL HAVE TO STAY AT HOME AND WEAKEN THE U.K. MARKET WHERE OVER HALF OF IRISH EXPORTS ARE SOLD.

4 BUTTEROIL. THE ARTICLE REPORTED CLAIMS BY BORD BAINNE THAT THE EC, AS A RESULT OF A SECRET AGREEMENT WITH NZ WILL MANIPULATE EXPORT SUBSIDIES TO PREVENT IRISH BUTTEROIL FROM COMPETING WITH THE BUTTEROIL THAT NZ WILL BE SELLING ON THE WORLD MARKET. THE ARTICLE CONTINUES THAT THE EC.S DETAILED DEAL WITH NZ WAS "HAMMERED OUT" BY SOMEONE IN THE EC COMMISSION WHO WENT ON VACATION IMMEDIATELY AFTER COMPLETING THE DEAL. NO FURTHER DETAILS ARE CONSEQUENTLY AVAILABLE.

5. IRISH EXPORTS. THE ARTICLE ALSO REPORTED THAT BORD BAINNE CLAIMS IT CANNOT SELL ANY OF ITS BUTTEROIL OUTPUT BECAUSE OF THE WAY THE EXPORT SUBSIDIES ARE NOW SET. THE IRISH COOPS TO BE MOST ADVERSELY AFFECTED ARE KERRY, BALLYCLOUGH AND KILLESHANDRA. TOTAL OUTPUT OF BUTTEROIL LAST YEAR WAS 12,000 TONS, WORTH 25 MILLION IRISH POUNDS.

6. REPRESENTATIVES OF THE NZ DAIRY BOARD, HEN MEHRTENS, THE BOARD CHAIRMAN, AND BERNIE KNOWLES, GENERAL MANAGER, WILL BE IN DUBLIN THIS WEEK. RUSHING

OTP

EA

EM

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY DJ DATE 4/4/84
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TO AUTH. REASON(S)
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